



FRAMEWORK STRUCTURE

National REDD-plus Strategy of Nepal

**Ministry of Forests and Soil Conservation
REDD-Forestry and Climate Change Cell
Babarmahal, Kathmandu**

July, 2012

Acknowledgement

Development of this framework was undertaken by Mr. Sagendra Tiwari, consultant. Officials from Regional and District based Government Line Agencies, Representatives from the Federation of Community Forestry Users Nepal, other civil society organizations, representatives from different international and national NGOs, and donors and independent REDD+ experts provided inputs to the draft strategy during Regional Level Consultation Workshops held in Pokhara, Biratnagar and Nepalgunj and a central level stakeholder consultation workshop in Kathmandu. This Framework has been developed with collaboration and technical support from World Wildlife Fund/Hariyo Ban Program, funded by the US Agency for International Development (USAID).

Acronyms and Abbreviations

BAU baseline:	Business As Usual Baseline
CBFM:	Community Based Forest Management
CBS:	The Central Bureau of Statistics, Government of Nepal
CCBA:	The Climate Community and Biodiversity Alliance
CGE:	Computable General Equilibrium
COPs:	Conference of Parties
CSOs:	Civil Society Organization
D and FD:	Deforestation and Forest Degradation
DFO:	District Forest Office
DSFCC:	District Forestry Sector Coordination Committee
EIA:	Environmental Impact Assessment
ESMF:	Environmental and Social Management Framework
ESMP:	Environmental and Social Management Plan
ETS:	European Union Emissions Trading Scheme
FCPF:	World Bank managed Forest Carbon Partnership Facility
FCTF:	Forest Carbon Trust Fund
FRA:	Forest Resource Assessment (a project of the government of Nepal)
GDP:	Gross Domestic Product
GIS:	Geographic Information System
ICIMOD:	International Center for Integrated Mountain Development
LAPA:	Local Adaptation Plan of Action
LCDS:	Low Carbon Development Strategy
LRMP:	Land Resources Mapping Project
MFSC:	Ministry of Forest and Soil Conservation of Nepal
MPFS:	Master Plan for the Forestry Sector, Nepal
NORAD:	Norwegian Agency for Development Cooperation
PPCR:	Pilot Program for Climate Resilience
REDD:	Reduced Emissions from Deforestation and Forest Degradation
R-PIN:	Readiness Project Idea Note
R-PP:	Readiness Preparation Proposal
RWG:	REDD Working Group
SMF:	Sustainable Management of Forests
UNFCCC:	United Nation's Framework Convention on Climate Change
VFCC:	Village Level Forest Coordination Committee

Table of Content

1. Background and Basis of Framework Development
2. Consolidated Framework Structure: Nepal's National REDD+ Strategy
3. Elaborated Framework Structure: Nepal's National REDD+ Strategy
4. References

Annex 1: Notes and Elaboration

Annex 2: Regional and National Consultations

1. Background and Basis of Framework Development

The focus on reducing emissions from deforestation and forest degradation, and enhancing forest carbon stocks (REDD+), has rapidly moved from a global approach to a more national and local framework. More than 40 countries are presently engaged in REDD+ readiness preparation through studies, institutional reforms, capacity development, dialogues and consultations. A key milestone in the readiness preparation process is the formulation of a national REDD+ strategy.

The national REDD+ strategy defines how participant countries plan to reduce emissions caused by deforestation and forest degradation (D and FD) increase forest carbon stocks, and leverage carbon credits paid through global financial markets. The strategy provides the opportunity to develop policies and modalities for institutions, governance mechanisms, and implementation to achieve both REDD+ and domestic development objectives. This helps to outline how countries can address domestic issues underpinning development, such as allocation of resources, poverty, slow economic growth, and poor governance. The strategy also provides a set of actions to reduce emissions from D and/or FD and enhance forest carbon stocks from other REDD+ activities.

While there is no standard guideline for the development of a national REDD+ strategy, a review of the literature reveals the importance of evaluating and analyzing the following elements: i) drivers of deforestation and forest degradation, and the underlying causes; ii) available range of strategy options to address these drivers; and iii) policies, institutions, and governance mechanisms that can be reformed, coordinated and synergized to effectively address the drivers while linking these efforts to meeting national development objectives. The national REDD+ strategy also needs to support the policy and institutional frameworks for the establishment and operationalization of systems and modalities deemed crucial for REDD+ strategy implementation. The key elements integral to the national REDD+ strategy include: forest reference level/reference emissions level (RL/REL); monitoring, reporting and verification (MRV) system; financing mechanism; assessing and addressing social and environmental safeguards; clarification of forest tenure and carbon rights; and ensuring equity in benefit sharing mechanisms.

Nepal submitted a Readiness Preparation Proposal (R-PP) to the Forest Carbon Partnership Facility (FCPF) in 2010, and is fully engaged in the REDD+ readiness process. FCPF published a readiness progress factsheet of March 2012 for Nepal. Key areas in which work is progressing in Nepal include: strategic analysis, carbon ownership, development of a reference emissions level (REL), and development of an MRV system. Each of these on-going efforts aims to contribute to the development of Nepal's national REDD+ strategy. The development of this framework structure also represents a critical element of the readiness preparation process. The framework structure is being pursued under the five-year project funded by USAID titled "HARIYO BAN PROGRAM", which is being implemented by WWF Nepal and a consortium of partners.

A four-pronged approach has been used to develop a framework structure for Nepal's national REDD+ strategy. Firstly, the REDD+ strategies, R-PPs, and other relevant literature of selected countries were reviewed. Among the selected countries for this assignment, Indonesia and the Philippines have developed their draft national REDD+ strategies but they have yet to be finalized. Vietnam's REDD+ strategy was prepared by a group of international consultants led by UNDP, and presently remains under in-house discussion. Guyana has a low carbon development strategy (LCDS), which partly meets the needs of a REDD+ strategy. In essence, the majority of REDD+ participant countries have yet to finalize their national REDD+ strategies. The literature review provided a broad understanding of the depth of the information necessary for a country specific national REDD+ strategy. Secondly, the available literature on topics relevant to national REDD+ strategy development were reviewed to evaluate the issues and challenges of this process. Thirdly, the decisions of the Conference of Parties (COPs) relevant to different aspects of the REDD+ strategy development were taken into consideration. Lastly, the existing issues and challenges on the ground in Nepal were evaluated and included in the national REDD+ strategy. A recently developed draft concept note on Readiness Package Content and Assessment Approach prepared by FCPF in December 2011 informed this process, and provided useful information for what is required under each section of the strategy.

In this report, the consolidated framework structure of Nepal's national REDD+ strategy is provided in the second section, and the elaborated framework structure is provided in the third section. The elaborated framework structure attempts to clarify the intent of the national REDD+ strategy, explain the basic requirements derived from a literature review, and further build upon the elements planned or documented in the R-PP. This report also elaborates on the content of the sections and sub-sections, and an annex titled "Notes and Elaborations" is included to provide details on points in need of further elaboration. The draft framework structure was presented in regional consultation meetings in Pokhara, Biratnagar and Nepalgunj. After each consultation meeting, improvements in the document were made based on the outcomes of the regional consultations. In addition, a refined framework structure was presented in the national level consultation in Kathmandu, which also provided valuable input. The outcomes of the regional and national level consultation are documented in Annex 2.

2. Consolidated Framework Structure: Nepal's National REDD+ Strategy

Chapter I: INTRODUCTION

1.1 REDD+: Concept and Evolution

1.2 REDD+ in Nepal: Context

1.3 Nepal's Journey Towards REDD+

1.4 National REDD+ Strategy Formulation Process

Chapter II: GUIDING FEATURES OF NEPAL'S REDD+ STRATEGY

2.1 Strategic Road Map/Directions

2.1.1 Vision; 2.1.2 Mission; 2.1.3 Objective(s); 2.1.4 Guiding principles; 2.1.5 Scope; 2.1.6 Scale; 2.1.7 Implementation Approach; 2.1.8 Forest Reference Emission Level (REL)/Reference Level (RL); 2.1.9 Forest Carbon Trust Fund; 2.1.10 Financing Mechanism

2.2 Existing Policy and Institutional Context for REDD+

2.2.1 Forest, Biodiversity, Environment and Climate Change

2.2.2 Social and Environmental Safeguards

Chapter III: REDD+ STRATEGY PREPARATION

3a Assessment of Land Use, Land Use Change Drivers, Forest Law, Policy, and Governance

3a.1 Assessment of Land Use

3a.1.1 Land use trends

3a.1.2 Efforts to-date to address deforestation and forest degradation, and maintain and improve forest land use

3a.1.3 Assessment of land tenure and associated governance issues

3a.1.4 Assessment of natural resource rights and the associated governance issues

3a.2 Assessment of Land Use Change Drivers

3a.2.1 Identification and prioritization of drivers of deforestation and forest degradation

3a.2.2 Analysis of the underlying causes of drivers of deforestation and forest degradation

3a.3 Assessment of Forest Law and Policy in the context of REDD+

3a.3.1 Strengths and Shortcomings of the Forest Law and relevant policies in the context of REDD+

3a.3.2 Policy and/or programmatic measures taken to overcome the existing shortcomings and their outcomes

3a.3.3 Way forward to address the key drivers of deforestation and forest degradation through refinement in policy, law and implementation approaches

3a.4 Assessment of the governance situation in the context of REDD+

3a.4.1 Existing governance structures and mechanisms and the extent to which they are conducive to REDD+

3a.4.2 Measures taken in the past to overcome the identified shortcomings and the outcomes of these actions

3a.4.3 Way forward to address deforestation and forest degradation through improvement in governance

3b. REDD+ Strategy Options Assessment

3b.1 Identification and selection of strategy options

3b.2 Feasibility assessment of selected strategy options and risk mitigation measures

3b.3 Action Plan for the implementation of strategy options

3c. REDD+ Implementation Framework

3c.1 Institutional, Economic and Governance Arrangements

3c.1.1 Institutional Structure (for the implementation of REDD+ strategy/program)

3c.1.2 Governance Arrangement (for the Implementation of REDD+ strategy/program)

3c.2 Legal/Institutional Arrangements (for the implementation of REDD+ strategy)

- 1) Defining the role of government, resource managers/rights holders, carbon rights holders and other participants in REDD+ transactions to share and deliver benefits*
- 2) Setting a detailed procedure for participation in programs*
- 3) Clarifying land tenure and carbon rights*
- 4) Clarifying how the carbon transactions will be managed in a transparent manner*
- 5) Clarifying financing modalities and procedures for official approval*
- 6) Putting in place a mechanism for mediating and resolving conflict*
- 7) Ensuring that the system overall is transparent and equitable*

3c.3 Road Map for Gaps remaining in the Implementation Framework

3d Social and Environmental Impacts

3d.1 Institutional Arrangements for SES coordination and implementation of ESMP

Chapter IV: SETTING UP THE REFERENCE LEVEL (RL)

4.1 Nepal's Existing Circumstances with respect to setting RL

4.2 Methodology and Approach for setting the RL

4.3 Functioning of the Preliminary RL at National and Sub-National Level

4.4 Proposal for Further Adjustment in RL

4.5 Work Plan for Proposed Adjustment in the RL

Chapter V: MONITORING, REPORTING AND VERIFICATION (MRV) SYSTEM

5.1 Design and Operational Mechanism of Nepal's MRV System

5.2 Rationale for the Selection of Methods Used (/Proposed) for MRV System

5.3 Action Plan to Institutionalize a Fully Operational MRV system

5.4 Stakeholder Participation in Course of MRV System Development

Chapter VI: FOREST INFORMATION MANAGEMENT SYSTEM FOR MULTIPLE BENEFITS, OTHER IMPACTS, GOVERNANCE AND SAFEGUARDS

6.1 The National Forest Information Management System (NAFIMS)

3. Elaborated Framework Structure: Nepal's National REDD+ Strategy

I: INTRODUCTION

1.1 REDD+: Concept and Evolution

- Provide basic concept of REDD+; how it has been evolving from COP 11 up to COP 17 and which direction it is likely to take in the days to come (1-1.5 pages)

1.2 REDD+ in Nepal's Context

- Impact of climate change in Nepal's mountain and other ecosystems – disasters, vulnerability, threat to life support system, livelihood security and overall development (2-3 paragraphs)
- Inter-relationship between forests and climate change scenario in Nepal (2 paragraphs)
- Potential opportunities in Nepal's forestry sector for climate change mitigation through REDD+ (2-3 paragraphs)

1.3 Nepal's Journey towards REDD+

- Work initiated by the government and other multi and bi-lateral international development agencies – studies, NAPA, National Communication Reports, PPCR (2-4 paragraphs)
- Work being conducted by different INGOs/NGOs – studies, research, and piloting (2 paragraphs)
- Climate change policy formulation (2 paragraphs)
- Consultations, discussions, participation in Forest Carbon Partnership Facility (FCPF), preparation/submission of R-PIN and R-PP, ongoing work for readiness preparation, pilot projects by development partners (2-3 paragraphs)

1.4 National REDD+ Strategy Formulation Process

Provide the process to be adopted for the formulation of a national REDD+ strategy, including the following:

- Draft a framework structure for the national REDD+ strategy that provides chapters, sections, sub-sections, and topics to be covered, with rationale and justification;
- Develop a flow diagram showing the stages involved in the development of the national REDD+ strategy;
- Commission a team of experts of RWG members that represents all stakeholders;
- Draft of national REDD+ strategy prepared by the team of experts; and

- Perform rigorous consultations on the draft strategy with all stakeholders from the local, regional and national level to ensure those who will implement or be influenced by the strategy are well informed and actively participate in the strategy formulation process.

II: GUIDING FEATURES OF NEPAL'S REDD+ STRATEGY

2.1 Strategic Road Map/Directions

In this section, key aspects fundamental to Nepal's national REDD+ strategy, and the basis for its development and implementation, are conceptualized and defined. These could be as follows:

2.1.1 Vision

- A vision statement projecting a 10-15 year period with a national REDD+ strategy in Nepal.
- The vision should relate to improvements in forest ecosystems and successful efforts in climate change mitigation, improved socio-economic status of forest dependent people, and demonstrated enhanced capacities of local forest managers.
- It should also relate to enhanced human and technological capacities, including effective and efficient institutional and governance structures and mechanisms.

2.1.2 Mission

- A mission statement that explains what Nepal would strive to achieve through the implementation of REDD+ strategies.

2.1.3 Objective(s)

- The objective(s) should be relevant to the vision and mission statements.
- It should provide a clear indication of major outcomes/results to be pursued and achieved within a stipulated timeframe. The outcomes/results should form the basis for specific outputs, indicators and activities to be formulated and organized in to a logical framework and/or action plan.

2.1.4 Guiding Principles

The national REDD+ strategy will need to capture Nepal's specific geo-political, ecological, environmental and socio-economic realities. This will need to align with the overall sustainable development priorities of the country. The Readiness Preparation Proposal (R-PP) currently being implemented has adopted basic underlying principles, that are reflected in the points below. These and other relevant points agreed to throughout the course of the formulation of the REDD+ strategy are proposed to be included as guiding principles.

- 1) National REDD+ strategy remains fully in line with the overall development strategy of Nepal to meet the dual objective of sustainable management of forests (SMF) and poverty alleviation.
- 2) Follows effective participatory and consultative process.
- 3) Fully values and captures the benefits of Nepal's diverse forest ecosystems in the context of REDD+.
- 4) Recognizes that forest ecosystems play a vital role in adaptation to climate change and the possible climate change mitigation through REDD+.
- 5) Ensures multi-stakeholder involvement in all aspects of REDD+, utilizes relevant stakeholder capacity and contributes to further capacity enhancement in the context of REDD+.
- 6) Ensures social, environmental and economic safeguards in the process of implementing REDD+.
- 7) Ensures equity in benefit sharing by clarifying the issues related to land tenure, forest use rights and carbon ownership rights.
- 8) Establishes mechanisms for effective coordination at local, sub-national and national levels among the relevant beneficiaries and sectors, and at the international level with development partners and financing agencies/institutions.
- 9) Ensures that double counting of carbon credits is avoided.
- 10) Develops appropriate national forest information and monitoring system.

2.1.5 Scope

- The scope should respond to the following components: i) Do we confine our REDD+ efforts to forest land use or include other land uses?; ii) Do we focus exclusively on reducing deforestation or include forest degradation as well?; iii) Do we include forest conservation, sustainable management of forests and enhancement of carbon stocks within forest areas?; iv) Which specific activities included in the three points above would we like to account for?
- The scope requires clarity on whether we undertake the above four points in full from the beginning of implementation of the national REDD+ strategy, or if we include each component in different phases as we build and strengthen our capacity and improve our technology for carbon stock monitoring.

2.1.6 Scale

- Scale, or crediting scale, is intended to provide the level at which the accounting of carbon and availability of incentives/funds will take place.
- Three approaches for scale are included in global discussions: 1) sub-national, with direct support to projects; 2) national, with direct support to countries; and 3) nested, or hybrid, that combines both direct support to projects and to the country.

- Each of the three approaches above has their relative advantages and disadvantages. Nepal would need to analyze which among the three approaches promises a net higher advantage to the country under the prevailing socio-political environment.
- The R-PP advocates for a nested, hybrid approach, which is the most flexible among the three. It allows the national and sub-national approaches to co-exist and complement each other. Its strength lies in learning by doing while benefiting accordingly, and further improving the performance through improved capacity.
- A careful analysis of the suitable scale for Nepal should be done based on the learning accumulated within Nepal and in other developing countries.

2.1.7 Implementation Approach

- The implementation of a national REDD+ strategy aims to eliminate the drivers of deforestation and forest degradation, boost forest restoration and conservation measures, and promote sustainable management of forests to enhance forest carbon stock.
- This will require improving existing policies and implementing innovative measures within the forestry sector and related sectors.
- Because Nepal has successfully implemented different community based and collaborative forest management modalities, a multi-level multi-stakeholder approach for REDD+ actions and a multi-sectoral approach for innovating and implementing policy measures will be instrumental.

2.1.8 Forest Reference Emission Level (REL)/Reference Level (RL)

- Papua New Guinea (PNG) defines REL as “the amount of *gross emissions* from a geographical area estimated within a reference time period (REDD)” and the RL as “the amount of *gross/net emissions and removals* from a geographical area estimated within a reference time period¹. The RL captures the removals that the REL does not capture.
- REL/RL is based on historical data of land uses, GHG emissions/removals, and socio-economic variables. Once set they cannot be changed during an implementation period.
- Nepal should go for both emissions reductions and removals, and define its REL/RL accordingly.

¹http://unfccc.int/files/methods_and_science/lulucf/application/pdf/png_conrad_png_views_on_reference_emission_levels_and_reference_levels.pdf

- This framework structure provides a detailed chapter on the RL as the crediting baseline. It is important in this section to briefly mention Nepal's specific country circumstances that guide how it will set up the REL/RL.

2.1.9 Forest Carbon Trust Fund

- The main options for a national REDD+ funding architecture include: i) Managing a REDD+ fund within the state budget; ii) Maintaining a separate REDD+ fund within state administration; and iii) Setting up a separate institution for REDD+ fund management. There could also be a project-based REDD+ financing mechanism.
- Each of these has their relative strengths and weaknesses when evaluated for political legitimacy, governance, coordination capacity, efficiency, effectiveness, equity, and co-benefits².
- Nepal's RPP has emphasized setting up a separate institution, the Forest Carbon Trust Fund (FCTF), for REDD+ fund management in anticipation of associated issues and challenges of having a state managed and maintained REDD+ fund. This also capitalizes on the comparative success of the National Trust for Nature Conservation (NTNC), and similar trust fund mechanisms in Nepal and elsewhere.
- All of the above options should be critically assessed based on selected key performance criteria as mentioned in bullet 2 above. Accordingly, the chosen funding architecture should be justified and should include the corrective measures based on past experiences.

2.1.10 Financing Mechanism

- The ongoing debate about a REDD+ financing mechanism indicates a variety of financing sources, such as voluntary contributions (WB/FCPF, UN-REDD program, bilateral initiatives), market-based (voluntary carbon market) and fund-based finance (compliance market), particularly for the early phases.
- For advanced stages of readiness preparation and the early stages of REDD+ strategy implementation, the appropriate funding sources could be the COP mandated global forest facility (Carbon Investment Fund) and/or multilateral/bilateral sources.
- Other financing mechanisms could include the generation of revenue through auctions of emissions allowances in Annex 1 countries. The main funding sources are likely to be the European Union Emission Trading Scheme, which does not currently include avoided deforestation, and the U.S. carbon market which plans to include REDD+ as an offset option.

² Pls. refer to Vatn and Angelsen (2009)

- Other national/regional carbon markets and voluntary markets are like to emerge or further develop.
- At the interim performance level, performance based REDD+ finance could be triggered by agreeing to proxy indicators for carbon stock changes due to implementation of REDD+ policies.
- Appropriate financing mechanisms should be described based on an assessment of various possible options available to Nepal for financing the implementation of its REDD+ strategy.

2.2 Existing Policy and Institutional Context for REDD+

2.2.1 Forest, Biodiversity, Environment and Climate Change Related

Brief overview (1 paragraph for each one)

- Forest Policy, Acts and Regulations
- Climate Change Policy
- National Land Use Policy
- National Rangelands Policy (*Rashtriya Kharka Ain*)
- National Parks and Wildlife Conservation Acts and Regulations
- National Biodiversity Strategy and Action Plan
- National Wetlands Policy
- National Water Policy/Strategy
- National Irrigation Policy
- National Hydro-power Policy
- Environment Act and Regulations (EIA guidelines for sectors)
- National Adaptation Plan of Action (NAPA) and Local Adaptation Plan of Action (LAPA)
- Other Relevant Policies/Strategies

2.2.2 Social and Environmental Safeguards Related

- Interim Constitution of Nepal
- Environmental Policy, Act and Regulations, EIA Guidelines
- Local Governance Act and Regulations
- Act on National Foundation for Development of Indigenous Nationalities, 2000
- Community Forestry Rules and Regulations, Guidelines and Manuals
- Buffer Zone Management Rules and Regulations/Guidelines
- Conservation Area Management Rules and Regulations
- Participatory Watershed Management Guidelines
- Collaborative Forest Management Guidelines and others?????

III: REDD+ STRATEGY PREPARATION

3a Assessment of Land Use, Land Use Change Drivers, Forest Law, Policy, Governance

3a has five closely related elements including: land use, land use change drivers, forest law, policy, and governance. These should be assessed for the salient features that highlight the interrelationships between each element.

Land Use Assessment

What is documented in the R-PP?

- R-PP 2a.2, paragraphs 1, 2 and 3 (including map) elaborate Nepal's land use including definition of forest and shrub lands

What is required?

- A complete analysis of recent historical land use trends
- An account of the efforts made through policy and programs to maintain/improve the forest land use
- Assessment of relevant land tenure and associated governance issues
- Assessment of natural resource rights and associated governance issues

Proposed section/sub-section

3a.1 Assessment of land use

3a.1.1 Land use trends

Building on the studies undertaken in the course of R-PP implementation:

- Provide a brief account of existing land use (including data in physiographic regions), and discuss divergence in land use data if necessary.
- Provide a brief account of historical land use trends in physiographic regions as presented in the R-PP.
- Discuss land use change trends in physiographic regions as indicated by different data sources, including the LRMP and subsequent forest inventories, and build on findings of the studies conducted in recent years.

3a.1.2 Efforts to date to address deforestation and forest degradation, and maintain and improve forest land use

As presented in the R-PP, this sub-section should build on the findings of the study conducted over the course of R-PP implementation and should provide the following:

- A brief account of the evolution of forest policy and programs.

- A succinct analysis of achievements and short falls of policy and programs, particularly for participatory forestry initiatives, protected areas and remaining national forests management under government control.
- An analysis of the strengths and weaknesses of on-going forest management efforts, such as lack of research of multiple production forestry practices, scientific measures for sustainable productivity enhancement, and boosting of emissions reduction potential.

3a.1.3 Assessment of land tenure and associated governance issues

Building on the findings of the studies undertaken over the course of R-PP implementation, this assessment will cover the following:

- Provide an analysis of forest land tenure arrangements for state, common property, open access and private property regimes. This will address the underlying interests of individuals, communities and the forestry administration, and/or between the forestry sector and other sectors competing for the same forest land use. This analysis should clarify who has access to and control over forest resources and products, and who uses them in what ways. This could be for different timelines, such as before or after forest nationalization, and after embracing the participatory forestry policies.
- Give a brief account of legal versus customary and/or *de jure* versus *de facto* status of tenure arrangements as appropriate.
- Analyze governance mechanisms in different tenure arrangements presented in the previous bullet, and include an analysis of associated issues as appropriate.

3a 1.4 Assessment of natural resource rights³ and the associated governance issues

- Provide an assessment of natural resource rights under different forest management regimes. This could include government managed forestry (protected forests, national parks and wild life reserves), participatory forestry modalities (collaborative, community, buffer zone, leasehold and religious forestry) and participatory watershed management regimes.
- Provide an assessment of natural resource rights in the context of conflicting legal claims over forests between the forestry sector and local development, mining, agriculture, energy, public works, water resources, and tourism.
- Discuss governance mechanisms within each of the associated issues.

Land Use Change Drivers

What is documented in the R-PP?

- Preliminary analysis identifying nine direct drivers, including their underlying causes and areas affected by each one (Annex 2b1)
- Identification of indirect drivers in the case of the Terai and Churia areas
- Drivers in play in the mid-hills despite successful community forestry

³ For elaborations please refer to Annex point 1

- Unclear status of deforestation and degradation in the high mountains, with the exception of evidence of increased degradation and deforestation due to timber smuggling and excessive use of timber for fuel wood
- A summary of drivers and their underlying causes (Annex 2a.1)
- An analysis of underlying causes
- Proposed study on the drivers of deforestation and forest degradation

What is required?

- Identification of direct and indirect drivers of deforestation and forest degradation based on the assessment presented in sections 3a.1.2 and 3a.1.3, and supported by further studies and consultations in line with the information provided in the R-PP.
- Prioritization of the direct and indirect drivers along the physiographic regions (focus on further refinement of Annex 2b.1).
- An analysis of underlying causes of direct and indirect drivers (including a refined Annex 2a.1) both inside and outside of the forestry sector.

Proposed section/sub-section

3a.2 Assessment of Land Use Change Drivers

Build on the findings of the study of drivers performed over the course of R-PP implementation.

3a.2.1 Identification and prioritization of drivers of deforestation and forest degradation

- Identify drivers, both direct and indirect, at the macro-economic level, embedded in policies, governance mechanisms and structures, and micro-economic, rooted within forestry and other associated sector policies, governance and implementation modalities.
- Prioritize the direct and indirect drivers along the physiographic regions.
- Undertake consultations with relevant stakeholders, validate the direct and indirect drivers, and further refine the list of these drivers.
- Explore and analyze the interrelationships between the prioritized drivers, undertake causal analysis and develop a matrix.
- Develop a final list of prioritized direct and indirect drivers.

3a.2.2 Analysis of the underlying causes of drivers of deforestation and forest degradation

- Building on the findings of 3a.2.1, and further refine annex 2a.1 provided in the R-PP
- Undertake an analysis of the underlying causes of the prioritized drivers

Forest Law and Policy

What is documented in the R-PP?

- Law and policy broadly discussed under the section ‘*Efforts to address deforestation and forest degradation*’
- An analytical study proposed on policy, execution of laws, and governance improvement in the forestry sector

What is required?

- A critical assessment of forest policy and forest laws/regulations in the context of REDD+⁴

Proposed section/sub-section

3a.3 Assessment of Forest Law and Policy in the context of REDD+

Build on the findings of the study of forest law, policy and governance over the course of R-PP implementation,

3a.3.1 Strengths and shortcomings of Forest Law and policy in the context of REDD+

- Provide a brief overview of the Forest Law and policy, taking stock of shortcomings and clarifying whether or not they contribute to the drivers of deforestation and forest degradation.

3a.3.2 Policy and/or programmatic measures taken to overcome the existing shortcomings and their outcomes

- Discuss measures taken in the recent past to address the identified shortcomings, including the issues that led to the under performance of the measures taken.
- Discuss what measures were taken (if taken at all) during the R-PP phase to understand and quantify the patterns of land use change, deforestation and forest degradation, and the causal relationship between these changes in the context of the existing economic, legal, and policy settings of the country.
- Discuss the key reasons for why the measures did or did not produce the desired outcomes.

3a.3.3 Way forward to address the key drivers of deforestation and forest degradation through refinement in policy, law and implementation approaches

- Identify and elaborate on ways to address the key drivers of deforestation and forest degradation. This should be rooted in the shortcomings in law, policy, and institutional and operational mechanisms.

Governance

What is documented in the R-PP?

- Underlying causes (pages 33, 34) provide key words underpinning governance: absence of the multi-stakeholder approach, coordination among relevant sectors, park and people conflict, forest products market failure, inadequate financial allocation to forestry sector, undervalued sector contribution to GDP, conflicting authority and jurisdiction over forest lands, development of sector specific policy and programs in isolation, wide spread poverty,

⁴ Please refer to Annex point 2.

lack of economic/employment opportunities, and rent seeking attitude among the service providers.

What is required?

An assessment of the governance situation in the context of REDD+.

Proposed section/sub-section

3a.4 Assessment of the governance situation in the context of REDD+

Build on the findings of the study of forest law, policy and governance improvement over the course of R-PP implementation.

3a.4.1 Existing governance structures and mechanisms – the extent to which they are conducive to REDD+

- Provide brief overview of the governance structure in general and the forestry sector's existing governance structure (organizational/functional) and mechanisms (service delivery modalities) in particular.
- Take stock of shortcomings in governance structures and mechanisms both within and outside the forestry sector, and clarify how they contribute to the drivers of F and FD.

3a.4.2 Measures taken in the past to overcome the identified shortcomings and their outcome

- What measures have been taken in the past to address the identified shortcomings? What are the issues that led to the under performance of the measures taken to improve governance, if any?
- What has been done during the R-PP phase for understanding and addressing the causal relationship between deforestation and forest degradation and the overall governance situation (with emphasis on the forestry sector)?

3a.4.3 Way forward to address the deforestation and forest degradation through improvement in governance situation

- Identify and elaborate on ways to address the governance related key drivers of D and FD in a prioritized fashion.

3b Strategy Options

- *The strategy options are country specific. They largely depend on the land use and the associated drivers that reflect the prevailing social, economic, institutional and legal environment.*
- *They create incentives or disincentives to encourage or discourage specific land use practices.*

What is documented in the R-PP?

- Strategy options identified in the R-PP comprise a combination of improved policies, regulations, management practices, and technical skills at the national and sub-national levels for different stakeholders.
- For the drivers inherent in the interfacing sectors, R-PP proposes strategic options such as development of synergies at the policy and program level.
- A matrix in Annex 2b.1 provides strategy options by drivers and their underlying causes.

The R-PP also proposes:

- Forest Valuation Study
- Evaluation of political economy of land use
- Assessment of carbon emissions from the drivers of deforestation and forest degradation
- Consultations for the prioritization of strategy options
- First screening of strategy options (criteria for screening/assessment developed)
- Economic and financial feasibility assessment of shortlisted/selected strategic options

What is required?

The strategy must be able to address⁵:

- 1) direct and indirect drivers of deforestation and forest degradation on a priority basis*
- 2) the drivers rooted within the forestry sector, and in other relevant sectors, competing for the same land resources in the context of national priorities for sustainable development, including infrastructure, roads, energy, tourism, agriculture and others identified under drivers*

Proposed section/sub-sections

3b. REDD+ Strategy Options Assessment

3b.1 Identification and selection of strategy options

- Explore and identify as many strategy options as possible for each of the direct and indirect prioritized drivers, and list the options against each prioritized driver⁶.
- Undertake consultations with relevant stakeholders to identify and validate the strategy options against each prioritized driver.
- Prioritize the strategy options against each driver based on the extent to which they are robust and vetted, and develop appropriate criteria to check that they are vetted.
- Select the most robust and vetted strategy options for each prioritized driver.

⁵ Please refer to the Annex point 3 for the proposed steps

⁶ One strategy option could address more than one driver and one driver may also need more than one strategy option. They should be noted at this stage

3b.2 Feasibility assessment of selected strategy options and the risk mitigation measures

- Undertake a comprehensive feasibility assessment of each strategy option from the socio-economic, political, institutional and cost/benefit perspective.
- Assess whether the strategy options are likely to secure and uplift people's livelihoods and enhance biodiversity benefits.
- Assess whether each selected strategy option is nested within the broader development policy and programs of the country⁷.
- Assess the feasibility of all prioritized strategy options from the perspective of major risks associated with them, such as leakage and environmental and social risks identified through SESA.
- Provide a clear cut proposal on how such associated risks will be mitigated or managed.
- Prepare a final list of prioritized strategy options to be addressed under the REDD+ program.

3b.3 Action Plan for the implementation of strategy options

- Develop activities⁸ for the implementation of each of the prioritized strategy options.
- Develop a periodic⁹ and budgeted action plan to implement the actions/activities (including the required policy/institutional reform works) planned under each prioritized strategy option.
- Incorporate the possible social and environmental risk management or mitigation measures into the action plan.
- Develop a monitoring framework to periodically track the implementation and progress of each strategy option.
- Discuss major inconsistencies between the objectives of the national REDD+ strategy and the policies/programs of other interfacing sectors.
- Provide ways to address and resolve such inconsistencies with identified incentives and/or mechanisms in consultation with and agreement of relevant sectors and stakeholders, and include them in the action plan accordingly. These must also be time-bound and measurable.

3c REDD+ Implementation Framework¹⁰

- *This relates to the institutional, economic, legal and governance arrangements required to implement the REDD+ strategy options*
- *It builds on the lessons learned from the implementation of relevant programs in the past*
- *The implementation framework requires appropriate arrangement of Institutions, Information and Incentives (3 I's) in a manner that the interaction among the 3 Is becomes meaningful for the effective implementation of the REDD+ strategy.*

⁷ Selected strategy options must be integrated with the overall development policy of the country (PRSP/Periodic development plan and be compatible with other interfacing sectors' policies and programs)

⁸ Activities should aim at and be able to reduce emissions, increase removals and stabilize the forest carbon stocks (UNFCCC Decision 4/15 Methodological guidance for activities.....)

⁹ Each activity planned to implement the strategy must be time bound and with quantifiable/measurable targets

¹⁰ Pls. refer to Annex point 4 for the key elements of an Implementation Framework

Proposed section/sub-sections

3c. REDD+ Implementation Framework

3c.1 Institutional, Economic and Governance Arrangements

3c.1.1 Institutional Structure for the implementation of REDD+ strategy/program

What is required?¹¹

- *Appropriate institutional structures should be in place with four key tasks to be performed, especially at the national level: 1) overall responsibility and coordination, 2) channeling funding, 3) monitoring, reporting, and verifying, and 4) safeguards. Some operational elements of these tasks might need to be performed by institutions at the sub-national and local community level.*
- *Institutional structures at all levels will require representation of all relevant stakeholders and sectors. This is presently underway through the existing multi-stakeholder platforms, including the stakeholder forum and RWG in the REDD Cell, DFSCC at the district level, and VFCC at the local government level in pilot projects.*
- *An agreed institutional structure should be legally formalized.*

Points to consider

- The establishment of a constitutional body named ‘Commission on Natural Resources’ under the new constitution as articulated in the R-PP is not likely for the next few years. Alternatively, there exists a high level ‘Climate Change Council’ which could have a functional relationship with the existing ‘Apex Body’ for REDD+. In order to enable the REDD+ program and address the macro-economic drivers rooted in many sectoral policies and programs outside the forestry sector, a much more powerful policy steering and enforcement entity is required to ensure effectiveness, efficiency and sustainability of policies and measures.
- At the national level, the lead institution, the REDD Cell, is housed in MFSC though its mandate often goes beyond the forestry sector¹². This aspect is partly covered by having a multi-stakeholder forum and RWG to provide policy guidance. This may or may not work in the long term due to the sector specific focus of the organizational and bureaucratic culture. Other available options must also be considered, such as housing the REDD secretariat in

¹¹ Vatn, A. and A. Angelsen (2009); Options for a REDD+ Architecture, in Angelsen et al. (ed.) Realizing REDD+: National Strategy and Policy Options, CIFOR

¹² MoE being the DNA for UNFCCC might see its vital role in REDD+ strategy implementation. Sectors e.g., rural development, infrastructure, energy, tourism, mining and others interfacing with forestry sector on REDD related matters might not sustain their interest and support in REDD working in a team led by forestry sector.

NPC, or establishing an independent and powerful REDD secretariat of a super ministry status which comprises experts from the forestry sectors as well as other stakeholders from the private sector, civil society, and academia.

- A basic principle emphasized in the R-PP advocates for using the existing structure rather than creating a new one, but this probably needs reconsideration in light of the preceding bullet point. Additionally, a REDD+ secretariat at the sub-national level might be indispensable for managing the flow of information on changes in forest carbon stocks between levels, and managing the flow of incentives to carbon rights holders. An effective performance of these two functions requires the sub-national institution to have a REDD+ payment authority and a measuring and reporting system¹³. Performing these functions would involve the management of technical, administrative, financial, administrative and supervisory tasks¹⁴.
- The REDD institution at all three levels should have a fair and proportionate representation of all relevant stakeholders, including CSOs, research, academia, private sector and relevant NGOs.

Institutional structures required will be the following:

- National level: 1) REDD secretariat mandated with four key tasks, mentioned in the required section above under bullet 1; 2) a geo-referenced carbon registry, or central clearinghouse, mandated for M&R functions; 3) an independent entity mandated for verification; and 4) a funding management mechanism such as a Forest Carbon Trust Fund to secure funds from various international sources and channel it to sectors, sub-national level and carbon rights holders.
- Sub-national level: 1) a REDD secretariat comprising REDD+ payment authority and a measuring and reporting system; and 2) the DFSCC charged with strategic guidance to the secretariat.
- Local level: a VFCC stakeholder network, in forest management units at the watershed or landscape level, and a pool of skilled community members for participatory carbon monitoring and reporting.

Possible options for institutional structures at all three levels should be identified, taking into consideration the findings of the studies undertaken over the course of R-PP implementation.

¹³ Sheila Wertz-Kanounnikoff and Arild Angelsen (2009); Global and National REDD+ Architecture: Linking Institutions and Actions in Angelsen et al. edited Realising REDD+: National Strategy and Policy Options, CIFOR, Bogor Indonesia

¹⁴ DFO or regional directorate of forest (in case it survives after federal restructuring of Nepal) could in fact house a sub-national REDD+ secretariat with resources and capacity

The options should be widely discussed among stakeholders, and the most suitable institutional structure should be put in place.

3c.1.2 Governance Arrangement for the Implementation of a REDD+ strategy/program

What is documented in the R-PP?

The governance mechanism is embedded in the structure and functioning of the following:

- A high level REDD monitoring body led by MFSC, represented by 11 relevant ministries and NPC (CSOs yet to be included)
- A multi-sector, multi-stakeholder, transparent RWG with the REDD Cell as its secretariat
- A multi-stakeholder setup, with DFSCC in many districts and VFCC at the village level in NORAD-funded REDD pilot project areas

What is required?

Appropriate governance arrangements should be in place that define the capacities, roles and responsibilities of different actors (and institutions) involved in REDD+, and clarify the rules for their interactions.

Review and refine the existing governance arrangement and/or institutionalize new governance arrangements that ensure transparency, accountability, responsibility and reciprocity in the institutions. These arrangements should specifically

- Provide clarity on mandates and terms of reference of different entities in the institutional structure and reporting lines, as well as roles and responsibilities at each tier;
- Detail the inter-relationships between the institutions both horizontally and vertically;
- Define the rules for interaction among the institutions both horizontally and vertically; and
- Set rules for mediation and mitigation of any disputes between/among institutions in the course of their interactions.

The final institutional structure and the governance arrangement should be legally approved using the pertinent clause of the Forest Act, 1993. Alternatively a new act for the implementation of REDD+ within the purview of the existing forest act could be enacted.

3c.2 Legal/Institutional Arrangements (for the implementation of REDD+ strategy)

What is required?

A separate institutional arrangement or act for REDD+, or regulations within the framework of the existing Forest Act or other relevant act, which:

- 1) Defines the role of government, resource managers/rights holders, carbon rights holders and other participants in REDD+ transactions to ensure benefit sharing*
- 2) Provides a detailed procedure for participation in programs*
- 3) Clarifies forest land tenure and carbon rights*
- 4) Clarifies how the carbon transactions will be managed in a transparent manner*
- 5) Clarifies financing modalities and procedures for official approval*
- 6) Puts in place a mechanism for mediating and resolving conflict*
- 7) Ensures that the system overall is transparent and equitable*

Once the act/law or regulation has been drafted, its salient features concerning the above points will have to be dealt with under each of the above points in the national REDD+ strategy.

Each of the points that require legal or institutional arrangements are addressed below based on what has been stipulated in the R-PP.

1) Defining the role of government, resource managers/rights holders, carbon rights holders and other participants in REDD+ transactions to share and deliver benefits¹⁵

- In the context of REDD+, a legal definition should be provided for the terms of government, resource managers, rights holders, carbon rights holders, and other participants.
- Presently, households of a village community are organized into ‘user groups’ and manage a part of the national forest either formally or informally, and are termed ‘forest resource managers’ at the local level. They exist under different modalities of participatory forestry and protected areas and watershed management modalities. They comprise women, poor, disadvantaged groups (dalits) and indigenous people.
- The existence of forest resource rights holders, such as indigenous people and distant users of forests in inaccessible areas in the Churia and high mountains, would need to be considered.
- Carbon rights and carbon rights holders are yet to be defined and a study proposed under the R-PP is expected to provide the basis to define carbon rights and rights holders.

¹⁵ Please refer to Annex 1: Notes on Elaboration point 5 for some thoughts on developing benefits sharing mechanism for REDD+ in Nepal.

- Private forestry is a formally recognized land use in Nepal, and the private forest owners also become the carbon rights holders within the set definition and criteria if they are located in a defined REDD+ forest management unit.
- ‘Other participants’ would need to be categorically defined at all levels.

The roles and responsibilities of each of these actors need to be elaborated for REDD+ transactions.

2) *A detailed procedure for participation in programs*

Meaningful participation of all stakeholders at all levels is integral to inclusive and democratic governance. Women and socially and economically marginalized people are often illiterate and hesitant to express their concerns and perspectives even when given the opportunity to participate. Participation will be promoted in the following ways:

1. Implementing REDD+ interventions and actions, and monitoring the progress
 2. Executing and monitoring the revenue disbursement
 3. Monitoring emissions and removals
 4. Execution and monitoring of financial transactions
- In order to ensure women, socially and economically marginalized people, indigenous people, and forest dependent groups actively participate, and for the economically elite to make room for these groups to participate, it is crucial that minimum basic norms and procedures are available and strictly observed by all parties.
 - Such an arrangement has to have an element of positive discrimination to ensure inclusiveness in participation is guaranteed. The proposed legal arrangement (act or regulation) needs to have a section on participation that clarifies the meaning in the context of REDD+ and which sets detailed procedures to ensure proportionate and equitable participation.

3) *Clarifying land tenure and carbon rights*

- With the nationalization of forests in 1957, the government holds the land ownership of all forest lands in Nepal, except for those that are legally registered as private forest lands.
- Forest land tenure in Nepal is *de-facto* in nature rather than *de-jure* in national forests. Parts of national forests being managed by organized ‘user groups’ under various community-based forest management modalities recognize the collective rights of such user groups as local/community forest managers to manage forests and use, utilize and benefit from the

forest products¹⁶ of their forests with some exceptions. The land ownership of the community managed forests legally remains with the government.

- Forest carbon contained in biomass above ground is clearly being managed by the local communities under CBFM modalities. However, it remains unclear who owns the forest carbon below ground in the soil. Given that land ownership is retained by the government, there is a need to establish a link between land tenure and forest carbon rights.
- The R-PP has proposed studies on these issues. The findings of the study proposed in the R-PP should provide a basis for clarifying land tenure, establishing a link between land tenure and carbon rights, and defining/clarifying carbon rights.
- Various alternative approaches to clarifying land tenure and carbon rights have been studied elsewhere¹⁷, so these studies should provide suitable approaches to clarifying land tenure and carbon rights.

4) Clarifying how the carbon transactions will be managed in a transparent manner

- Carbon transaction remains at the core of REDD+. It is the source of incentive and motivation for all stakes and rights holders involved in implementing the REDD+ program.
- Monitoring and reporting of carbon stock will have to be managed on a periodic basis. The carbon monitoring and reporting procedure from the bottom up to the carbon registry level, and the flow of information on change in carbon stock from the national carbon registry down to local resource managers and then up to the global funding sources and/or international carbon market, will have to be formally agreed to and standardized. This will need to be transparent, simple to understand and accessible to all relevant stakeholders.

5) Clarifying financing modalities and procedures for official approval

- In Chapter 2, sub-section 2.19, four main options for the national REDD+ funding architecture have been identified, out of which one financing modality has to be selected based on a SWOT analysis of the context in Nepal. The R-PP has envisaged an independently functioning National Forest Carbon Trust Fund (NFCT) as the preferred option for financial transactions in Nepal.

¹⁶ The legal definition of forest products includes stones, sand, soil, minerals, and water also. However, the local forest managers are not entitled to sale such products and benefit from them although local use of such products without disturbing the forest ecosystems goes unnoticed.

¹⁷ Pls. refer to 1) Sunderlin et al. 2009, Forest tenure rights and REDD+: From inertia to solution; C. Sreck 2009, Rights and REDD+: Legal and Regulatory Considerations – both in Angelsen et al. edited Realizing REDD+: National Strategy and Policy Options, CIFOR, Bogor Indonesia

- NFCT will have to be mandated to secure funds from the global/international funding sources and/or international carbon markets, and channel those funds based on the information provided by the National Carbon Registry. The carbon registry will need to provide the data and information regarding the periodic change in carbon stocks at various geo-referenced locations. REDD secretariats at the national and sub-national levels will require the status of the implementation of REDD+ strategies/programs within and outside the forestry sector. Accordingly, the NFCT will have to allocate and channel funds to all REDD+ program implementing bodies at the national, sub-national and local levels.
- The financial modalities (i.e. which activities will be financed) and procedures (i.e. what will be the logically sequential steps to be initiated by whom and at which level) will need to be formulated.
- Financial modalities and procedures concern various stakeholders and rights holders. It would need to be discussed and agreed to through consultations, and included in the act/regulation.

6) *Putting in place a mechanism for mediating and resolving conflict*

- Given the involvement of various stakeholders with varied interests at different levels in REDD+, conflicts are likely at different stages of REDD+ activity implementation.
- Such conflicts will need to be mediated, mitigated and resolved at an early stage. For this purpose, there needs to be an appropriate institutional mechanism embedded in the institutions and systems at all levels. It will also require standard procedure to tackle the conflict. Such a procedure will need to be framed, consulted and finalized to be included in the act/law or regulations.

7) *Ensuring that the system overall is transparent and equitable*

- REDD+ is a framework involving various players at different levels that interact and collaborate toward a collective goal.
- The effectiveness and sustainability of such a system largely depends on the extent to which it maintains transparency and equity.
- Hence, all possible components of the system must include the proper measures/mechanisms that ensure transparency and equity, and which are endorsed in the act/regulation.

3c.3 Gaps remaining in the Implementation Framework

- Identify if specific gaps remain in the implementation framework that might have implications for the effective implementation of the REDD+ strategy
- Provide an estimate of the resources needed to address such gaps
- Develop a road map to undertake time bound and budgeted actions to address the gaps remaining in the Implementation Framework. This could be policy formulation that sets up and fully operationalizes institutions.

3d Social and Environmental Impacts

What is planned in the R-PP?

SESA to be carried out during R-PP implementation, which includes:

- Stakeholder analysis
- Description of the social and environmental situation of Nepal's forestry sector
- Analysis of the possible impacts of a "NO REDD PROCESS" scenario
- Analysis of possible impacts of different REDD+ strategy options
- Analysis of impacts of different REDD+ alternatives
- Verification of compliance with World Bank policies
- Development of an Environmental and Social Management Plan (ESMP)

What is required?

- *Put in place all necessary institutional arrangements for coordinating the integration of environmental and social considerations into the REDD+ Readiness process through the SESA.*
- *Address applicable safeguard issues through relevant studies or diagnostics.*
- *Prioritize key actions to address social and environmental impacts (both positive and negative) in relation to the most feasible response to the drivers, and fully integrate them into the REDD+ strategy. Ideally this would be integrated into the REDD+ Strategy Action Plan section 3b.3.*

- *Develop an ESMF to manage environmental and social risks, and potential impacts of REDD+ strategy implementation.*

Proposed sections/sub-sections

3d.1 Institutional Arrangements for SES coordination and implementation of ESMP

- Given the SESA will be accomplished and an ESMP will be finalized during the R-PP implementation, this section would need to provide a set of institutional arrangements, such as rules or guidelines included in the regulations for the national REDD+ strategy implementation that could enable:
 - Coordinating the integration of social and environmental considerations into the national REDD+ strategy implementation process
 - Provide mechanisms to address applicable safeguard issues as they arise during the REDD+ strategy implementation
 - Guide and steer the implementation and monitoring of the ESMP

Within the institutions mandated for implementing the REDD+ strategy at different levels, multi-stakeholder committees should be constituted and mandated for this purpose. This should be stipulated in the institutional arrangements.

IV SETTING UP THE REFERENCE LEVEL (RL)

- *The reference level (RL) represents a crediting baseline (as opposed to the BAU baseline), and is a benchmark for rewarding the country if emissions are below this level.*
- *RL is seen as a modified BAU baseline reflecting “common but differentiated responsibilities” to ensure global additionality and larger overall GHG emissions reduction in line with the UNFCCC objectives¹⁸.*
- *Despite the global understanding that RL should be based on historical emissions and should take into account the national circumstances, the content of RL and/or the criteria or procedure for setting the RL is not yet developed or standardized¹⁹.*
- *A higher RL runs the risk of paying for non-additional “reductions” as the REDD rent is higher; a lower RL may discourage country participation as the emissions reduction will be too high to be credited, and will result in a relatively low REDD rent.*

¹⁸ Refer to Angelsen et al. (2009)

¹⁹ Refer to Wertz-Kanounnikoff and Angelsen, 2009; Refer to UNFCCC COP 17 (2011) guidance on Forest RL

- *Establishing an RL is a tricky issue and needs sound science to ensure it is neither inflated nor relatively low to avoid discouraging country participation.*

What is proposed in the R-PP?

- The R-PP recognized the LRMP (1975/79) forest inventory data as the best available data set in the context of establishing the reference scenario. This data set, however, needs readjustment and re-interpretation to create a biomass surface to be compared with the FRA created for the most recent biomass surface²⁰;
- It envisaged the development of a multi-year historic scenario using some of the available historic data sets²¹.
- It also rightly recognized that the extrapolation of historical trends might not provide justifiable estimation of future emissions and removals across Nepal given the difference in impacts of different drivers in different physiographic regions owing to varied intensity of demographic, social and economic changes, as well as other natural constraints.
- The R-PP proposed the development of a spatial regression model embedded in CGE (Computable General Equilibrium). This could enable linking GIS based information from LRMP and FRA projects to economic variables and parameters, and use this to make projections of carbon stock changes under diverse scenarios.
- The findings and outcomes of the four different studies proposed in the R-PP (as per the above four bullets) are expected to provide a good basis for establishing Nepal's preliminary reference scenario. This preliminary RL will need to be gradually improved with enhanced technological capacity using a step wise approach.

What is required?

- 1) Develop/provide a preliminary sub-national or national forest reference level (RL) that uses a clearly documented methodology based on a step wise approach
- 2) Demonstrate a relationship between the sub-national and evolving national (or *vis-a vis* in Nepal's case) using geo-referencing
- 3) The developed RL should be able to reflect the identified priority drivers, key policies and programs of the REDD+ strategy and the monitoring system
- 4) The RL should demonstrate a significant step towards an evolving operational system
- 5) Provide evidence that the developed RL has been peer reviewed and undergone public consultations, and has been refined accordingly
- 6) In case an adjustment in the RL is proposed, the proposal should be based on ***credible*** and ***defendable*** relevant national circumstances
- 7) Provide a plan for additional steps and data needs

Proposed section/sub-sections

20 It however, is learned that creating a biomass surface by using the interpreted LRMP data for 1980's will neither be possible nor of much use even if created.

21 It is suggested that prepare historic scenario for year 1990, 2000 and 2010 using the available data sets of the past using appropriate software/technologies to establish historic emissions trend.

4.1 Nepal's Existing Circumstances with respect to setting RL

- Provide information on historical trends, previous forest assessment data sets, and their compatibility/incompatibility.
- Explain the on-going and predictable future demographic, macro-economic and other changes and trends that have and are likely to have a bearing on the deforestation, forest degradation and drivers at the policy and field levels.
- Include which carbon pools will be included with adequate justification of their inclusion in the RL. State if there will be a phased approach to including all five carbon pools in the future, with enhancement of capacity and availability of data.
- Include other circumstances as put forward by the experts and arising through consultations.

4.2 Methodology and Approach for setting up the RL

- Provide the options available for Nepal with respect to the selection of a standard methodology for setting up the RL.
- Select a methodology and explain the criteria/parameters on which the selected methodology could be rated within the purview of the country circumstances detailed in the previous sub-section.
- Provide the strengths and weaknesses of the methodology, and explain how the weaknesses have been eliminated.
- Provide the step wise details involved in the methodology.

4.3 Functioning of the Preliminary RL at National and Sub-National Level

Based on the articulation in the R-PP and the findings of the four different studies undertaken, perform the following:

- Describe and demonstrate the RL, capturing points 1 to 4 mentioned under the “***What is required?***” section above.
- Provide evidence of the peer review and the outcomes of the consultations. Describe to what extent the outcomes of the peer review and consultations were accommodated to strengthen the RL.

4.4 Proposal for Further Adjustment in RL

- Explain the adjustments (by type and nature) deemed necessary in the RL based on the relevant national circumstances supported by data and arguments.

4.5 Work Plan for Proposed Adjustment in the RL

- The work plan should provide activities, data to be generated, time and funds required, and sources of funding

V: MONITORING, REPORTING AND VERIFICATION (MRV) SYSTEM

- *REDD participant countries need to develop a robust and transparent national forest monitoring system to fulfill the MRV function of REDD+ activities. More specifically, the MRV system should:*
 - 1) *Estimate emissions and removals from the forestry sector (measurement)*
 - 2) *Report this mitigation performance of REDD+ activities to the UNFCCC (reporting)*
 - 3) *Allow the verification of the activities to the UNFCCC secretariat (verification)*
- *UNFCCC has so far not issued a definitive guideline on establishing a forest monitoring system for emissions reduction and removal. However, the Copenhagen Accord (2009) decision 4/CP.15 provides guidance on methodological aspects, and the Cancun Agreement (2010) decision 1/CP.16 guides a robust and transparent national forest monitoring system.*
- *Decisions 4/CP.15 and 1/CP.16 indicate the dual function of monitoring and MRV:*
 - 1) *The monitoring function will allow a country to monitor whether REDD+ activities are result-based*
 - 2) *The MRV function will assess whether REDD+ activities are contributing to measurable carbon mitigation.*

National MRV System should:

- *Generate information that enables comparison of changes in i) forest area (activity data) and ii) carbon content (emission factor) to the baseline estimates used for the RL*
- *Entails a combination of remote sensing and field based data collection preferably in permanent sample plots established under a national forest inventory*
- *MRV relates to actions on the ground in the readiness phase, and REDD+ transactions (compensation and transfers in the implementation phase)*
- *It is vital that the connection between MRV requirements and particular activities under REDD+ is well understood so that MRV and REDD+ activities develop in parallel*
- *The gap between the international requirement for REDD+ MRV and the existing forest monitoring system must be clarified to develop the MRV system in line with the international MRV requirements*

Where does Nepal stand in its efforts to developing an MRV system?

The review of Nepal's R-PP reveals that:

- 1) Nepal's MRV system builds on the past and present work completed for the development of a National Forest Monitoring System (NFMS) under a Nepal Forest Resources Assessment (FRA) project, which is expected to provide:
 - Geo-referenced information on Nepal's forest cover with extent and quality
 - An operational and geographically bound forest information system
- 2) It also builds on different locally governed CBFM regimes being practiced in Nepal for over two decades. These CBFM regimes cover almost one third of Nepal's forests and are

regarded as highly successful in combating deforestation and forest degradation. These CBFMs form an integral part of REDD+ strategy options.

- 3) In the initial stage, the design of Nepal's NFMS will depend on monitoring carbon stock changes at the IPCC Tier 2 level, due to lack of activity data and biomass increment data for Nepal's forests.
- 4) The methodology will be built on general assumptions of the parameters, such as biomass expansion factors and root-to-shoot ratios. At a later stage, with the availability of more desired data, species specific factors will be developed together with allometric equations.
- 5) The source of data will be remote sensing data combined with periodic inventories in a certain percentage of approximately 2,500 permanent sample plots established under the FRA project. These sample plots represent all forest types and all management regimes of Nepal.
- 6) Data collection responsibilities will be shouldered by the local forest managers in existing CBFM regimes. This will build upon the successful experiences of community monitoring of forests, participatory inventories, and carbon monitoring demonstrated in REDD+ pilot projects presently being implemented.
- 7) A partnership approach to data collection will be implied for other forest areas. Field level forestry technicians and members of village development committees and buffer zone councils will be involved in data collection under the guidance of the DFCCs.
- 8) This program of work will establish a GIS based National Forest Information Management System (NAFIMS) for REDD based on the FRA generated database. The purpose is to enable an expanded use of the system for the management of all relevant non-carbon attributes, maps and imagery information covering all forests under various land tenures, land-use patterns and management regimes.

On the institutional framework front, the R-PP envisaged that:

- An apex body chaired by the Forest Minister and represented by all relevant government ministries and National Planning Commission will be the national political and decision making body for linking forest carbon MRV and the national policy for REDD+;
- The Department of Forest Survey and Research will design, manage and maintain the MRV system and the NAFMIS, manage the permanent sample plots established by the FRA project, execute periodic forest assessment of deforestation and forest degradation, coordinate with the sub-national level to collect information, and disseminate NAFMIS deliverables through web-portals;
- At the sub-national level, the DFO will house the REDD Cell and monitoring setup, and will work in the strategic guidance of the DFCC for the management of the forest monitoring system.

What is required to include under the MRV system for REDD+ strategy implementation?

- 1) Provide the design of the MRV system that clarifies the step wise operationalization, including demonstration and/or clarity on:
 - How the system will be operational in measuring and reporting changes in D and FD, forest carbon conservation and enhancement activities;
 - How the system will monitor specific REDD+ activities prioritized in the national REDD+ strategy;
 - Whether or not the system includes the capacity to assess leakage;
 - If there exists (or at least remains at an early operational stage) the transparent means to publicly share forest and emissions data;
 - Provide clarity on how the country plans to i) move ***from early participation and interim performance monitoring to matured participation and full performance monitoring***, ii) ensure national MRV and sub-national implementation are gradually becoming compatible with each other, and iii) assess the performance of REDD+ activities in the absence of a fully operational monitoring system.
- 2) Provide a clear technical/analytical justification for the selection of methods used or proposed, including the system's resolution, coverage, accuracy, and the carbon pools included;
- 3) Provide an action plan to develop a fully operational MRV system over time. The plan should include institutional arrangements, required capacities, training, hardware/software, and budget;
- 4) Describe whether relevant government bodies, institutes, local communities, CSOs, or the private sector have been participating or have been consulted in the development and implementation of the MRV system. Has there been any verification of the results of the MRV system implementation?

Proposed section/sub-sections

5.1 Design and Operational Mechanism of Nepal's MRV System²²

- Building on the progress of the FRA project on the features mentioned in the R-PP, provide the design of the MRV system. The design should be holistic, showing what is already in place and what will be put in place by the end of 2012 (or by the phasing out of the FRA project in 2014);

²² Emission and removal estimates are affected by how forests and REDD+ activities are defined. Hence a section before this section or in a section somewhere else in the REDD+ Strategy document, definition of terms and eligible activities should be provided following the Marrakech Accords e.g. definition of forests, deforestation, degradation of forests etc. The two most common definition of forest suitable for MRV purpose as per IPCC GPG are by FAO and by Marrakech Accords, the later one being more flexible yet the former fits into the later one's range. Refer to Angelsen et al. 2009, www.REDD-OAR.org

- Provide a clear road map for the development of a comprehensive MRV system that includes monitoring needs in the readiness as well as implementation phase following a stepwise approach over a specified time period;
- Describe which carbon pools will be included at which stage of operationalization of the system over time;
- Describe when the MRV system is expected to: i) become fully operational and likely to move from the Tier 2 to Tier 3 level of data generation on emission factors, ii) start linking MRV actions and MRV transactions, and iii) start international reporting and verification;
- Describe at what stage the monitoring system will start supporting national policies and REDD+ actions;
- Describe at what stage the system will provide documented evidence/samples of each of the four bullets mentioned in point 1 (*What is required.....section*);
- Alternatively suggest what and when technical capacity and systems improvements will be done to enable the system to demonstrate any or all of the aforementioned bullets.

5.2 Rationale for the Selection of Methods Used (/Proposed) for MRV System

- The MRV system fully hinges on the FRA project results. The FRA has most likely performed an analysis of the sets of methods best suited for Nepal, taking into account a range of limitations with respect to technology, human resources/capacity and funding sources;
- This section will need to build on the rationale and analytical justification used by the FRA for the selection of methods that will be used to build the NFMS for REDD+ MRV;
- In case the analytical justifications used by FRA are found inadequate to justify the development of the MRV system, additional analytical justifications and suitable methods must be used.
- While doing this, it will also be relevant to evaluate the extent to which the FRA supported NFMS offers to meet the required capacity for national and international REDD+ MRV requirements. The identified capacity gaps could then be included in a time bound and budgeted action plan to be proposed in the next section.

5.3 Action Plan to Institutionalize a Fully Operational MRV system

It is ideal to have an MRV system that is institutionalized and capable of monitoring change in carbon stock and deforestation at the Tier 2 level during the readiness preparation process. The MRV system should build monitoring capacity for other carbon pools and assess the impact of REDD+ activities.

- In this section, describe the level to which the MRV system can be developed by the phasing out of the FRA in 2014, and what additional activities/resources would be required to achieve that level.
- Assess the gaps likely to remain in the MRV system, after FRA support, to make it fully operational with respect to the national and international REDD+ MRV requirements.

- Develop a time bound and budgeted action plan to put in place a technologically sound, institutionally robust and fully operational MRV system that meets the national and international REDD+ MRV requirements.

5.4 Stakeholder Participation over the course of MRV system development

- Describe whether relevant government bodies, institutes, local communities, CSOs, or the private sector have been participating or have been consulted in the development and implementation of NFMS. Also state if there has been any verification of the results of the NFMS implementation.

VI. FOREST INFORMATION MANAGEMENT SYSTEM FOR MULTIPLE BENEFITS, OTHER IMPACTS, GOVERNANCE AND SAFEGUARDS

- *The national forest management information system needs to monitor and provide information on the non-carbon aspects prioritized for monitoring over the course of REDD+ implementation. These aspects are key quantitative or qualitative variables related to livelihood enhancement, biodiversity conservation, ecosystem services provision, key governance factors pertinent to REDD+ implementation, and impacts of the REDD+ strategy on the forestry sector.*
- *The system should also effectively be reporting on how the safeguards are being addressed and respected in the course of implementation of REDD+ activities, with due attention to the specific monitoring provisions included in country's ESMF.*

What is included in the R-PP?

- R-PP (section 3.2 pp. 62-64) documents the experiences of use of different models to understand the impacts of D and FD on different aspects of economic and human well-being undertaken by MPFS, ICIMOD, and Winrock International. It also cites the COPATH 2002 software used by MoE for calculating emissions reduction and carbon sequestration potential;
- The R-PP also refers to the experience using models for macro-economic analysis, developing a social accounting matrix, input-output tables, and the construction of a Computable General Equilibrium (CGE) model. Accordingly, it would be possible to develop a country wide spatial regression model that enables linking GIS based information to economic variables and parameters;
- The Central Bureau of Statistics (CBS), Central Bank's household survey data, Nepal Living Standard Survey (NLSS) data, and other data sources could help meet the data needs;

- A GIS based National Forest Information Management System (NAFIMS) for REDD is already planned to be established to enable an expanded use of the system for the management of all relevant non-carbon attributes, maps and imagery information covering all forests under various land tenures, land-use patterns and management regimes;
- Nepal is working on REDD+ social and environmental safeguards development together with CCBA and CARE International. The eight principles on which the draft standards are built include: i) recognition of rights, ii) equitable sharing of benefits, iii) livelihoods security and well-being of indigenous people and vulnerable communities, iv) good governance, v) biodiversity and ecosystem services maintenance and enhancement, vi) ensured equitable participation, vii) ensured access to information, and viii) involvement in decision making;
- Activities planned in the R-PP include:
 - 1) Development of the appropriate methodology based on identified indicators from REDD+ social and environmental standards to apply in the field to assess the impact of REDD+
 - 2) Capacity development of local community members and local government bodies to monitor the parameters
 - 3) Development of a social and environmental baseline, if required
- An ESMF is also planned to be prepared as an output of the implementation of the R-PP.

What is required under this section?

- Identify priority non-carbon aspects directly pertinent to REDD+ implementation in Nepal.
- Develop and operationalize a transparent National Forest Information Management System (NAFIMS) for monitoring and reporting ***consistent*** and ***periodic*** information on each of the identified priority non-carbon aspects.
- Ensure/demonstrate that the information for agreed national priorities is readily available and reveals the impacts on identified priority non-carbon aspects directly pertinent to the implementation of REDD+ and safeguards, accounting for the specific provisions included in Nepal's ESMF.
- If the system is not likely to be established by the readiness preparation period, identify gaps in the system and develop a time bound and budgeted work plan to address these gaps.

Proposed section/sub-sections

6.1 The National Forest Information Management System (NAFIMS)

Building on the relevant work on-going or planned under R-PP implementation,

- Establish the NAFIMS and describe the timeline in which it should be operational, and provide consistent and periodic information on priority carbon aspects;
- Demonstrate if the system is operational, or describe how the information for agreed national priorities will be readily available to reveal the impacts on identified priority non-carbon

aspects directly pertinent to the implementation of REDD+ and safeguards, considering the specific provisions included in Nepal's ESMF.

Points to consider in drafting section 6.1

- The system established for monitoring and reporting on safeguards should follow the guidance provided by COP 17 for providing information on how safeguards are addressed and respected.
- COP 17 guidance on safeguards stipulates the following:
 - a) Be consistent with the guidance identified in decision 1/CP.16
 - b) Provide transparent, consistent and regularly updated information accessible to all relevant stakeholders;
 - c) Be transparent and flexible to allow for improvement over time
 - d) Provide information on how all of the safeguards referred to in Appendix I to decision 1/CP.16 are being addressed and respected
 - e) Be country driven and implemented at the national level
 - f) Build on existing systems, as appropriate

REFERENCES

- A. Angelsen et al. (2009); Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report, Prepared for the Government of Norway, www.REDD-OAR.org
- A. Angelsen et. al. (2008); What is the right scale for REDD? The implications of national, sub-national and nested approaches, InfoBrief, CIFOR, Nov. 2008
- Expert Meeting Bonn, Germany (2009); PNG Views on Reference Emissions Levels and Reference Levels for REDD, Germany, 2012.
- FCPF Readiness Fund (2011); Readiness Content and Assessment Approach, Concept Note – Draft for Feedback, Fund Management Team (FMT, 2011-14).
- Government of Nepal/MFSC (2010); Nepal's Readiness Preparation Proposal (R-PP), REDD 2010 – 2013, Kathmandu, Nepal
- Government of Indonesia, (???); Indonesia REDD+ Strategy
- Herold, M. and M. M. Skutsch (2009), Measurement, Reporting and Verification for REDD+: Objectives, Capacities and Institutions in A. Angelsen edited *Realizing REDD+: National Strategy and Policy Options*, CIFOR
- IPCC, COP 17 Durban Decisions on Safeguards and FRL/REL
- IPCC, COP 17 Durban Decisions on REDD+
- Peskett, L and M. Brockhaus (2009), When REDD+ goes National: A Review of Realities, Opportunities and Challenges in A. Angelsen edited *Realizing REDD+: National Strategy and Policy Options*, CIFOR
- RECOFTC and FAO (2012); Forest and Climate Change After Durban: An Asia-Pacific Perspective, RECOFTC, FAO and CoDe REDD, April 2012, Bangkok, Thailand.
- Rights and Resources Initiative (2012); What Rights? A Comparative Analysis of Developing Countries' National Legislation on Community and Indigenous Peoples' Forest Tenure Rights, RRI 2012
- Socialist Republic of Vietnam (2011); Readiness Preparation Proposal, revised version, 2009.

- S. Swan, M. Bertzky and Lucy Goodman (2012); REDD+ Biodiversity Safeguards: Options for Developing National Approaches in *Biodiversity and REDD+ Updates, June 2012, BioREDD Brief No. 2*
- Streck, C. (2009); Rights and REDD+: Legal and Regulatory Considerations in A. Angelsen edited *Realizing REDD+: National Strategy and Policy Options*, CIFOR
- Sunderlin, W. D. and S. Atmadja (2009); Is REDD+ an Idea Whose Time has come or gone? In A. Angelsen edited *Realizing REDD+: National Strategy and Policy Options*, CIFOR
- Sunderlin, W. D. et al. (2009); Forest Tenure Rights and REDD+: From Inertia to Policy Solutions in A. Angelsen edited *Realizing REDD+: National Strategy and Policy Options*, CIFOR
- The Philippines REDD+ Strategy (??); Prepared by The Philippines REDD-plus Strategy Team Spearheaded by Department of Environment and Natural Resources – Forest Management Bureau and CoDe REDD-plus Philippines
- Wertz-Kanounnikoff, S and A. Angelsen (2009), Global and national REDD+ architecture: Linking institutions and actions, in A. Angelsen edited *Realizing REDD+: National Strategy and Policy Options*, CIFOR
- Vatn, A and A. Angelsen (2009), Options for a national REDD+ architecture in A. Angelsen edited *Realizing REDD+: National Strategy and Policy Options*, CIFOR

ANNEX 1: NOTES ON ELLABORATIONS

1. Notes on natural resource rights

- 1) Rights can be categorized as use rights, control rights and transfer rights. In Nepal, forest use rights of citizens have historically been recognized both legally and customarily. However, before forest nationalization, only *mukiyas* and *jimuwals* exercised forest control rights as state functionaries. Currently, the executive committees of different participatory forestry regimes also exercise control rights to a certain extent. Transfer rights have often remained exclusively with the government. The governments has indiscriminately, and against the prevailing forest policy, been transferring the forest lands for other uses including settlements, infrastructure development, educational enterprises, high tension lines, irrigation canals, and hydropower plants.
- 2) Often the *de-jure* forest control rights holder (the forest department) fails to exercise their control rights to arrest deforestation and forest degradation due to a variety of reasons, including lack of resources and capacity. In the name of priority local development needs, government funds are invested in rural roads and other infrastructural developments against the prevailing policies and legal arrangements. These development activities contribute massively to deforestation and forest degradation.
- 3) There are many instances of conflicting sectoral policies in Nepal that create conflicting claims over forest products and land use and control rights, eventually resulting in failure of governance.
- 4) The definition of natural resource rights to forest products and the associated services such as water have also evolved over time, based on the accessibility and proximity to the location of the natural resources in question. There are distant users of forest lands/products, water bodies and irrigation facilities. Those living near the natural resource base enjoy more resource rights compared to those located away from the resource base. Accordingly, the nearby rights holders often tend to control the resource use and exclude the distant living legitimate rights holders. (For example: the recent case of *yarchagomba* collectors from distant districts getting killed in the Mustang area)

2. Notes on the forest law and policy assessment

Nepal's forest policy and related laws have evolved over time. They have steadily embraced a people-centered and democratic approach. Yet there exist many disconnects between the policy and laws, and the intent of the policy gets lost during its implementation. Moreover, it is not clear as to what extent the forest policy and the relevant laws are conducive to REDD+ requirements, especially for tenure, rights and governance. So an assessment of forest policy and associated laws should build on the underlying causes of the drivers discussed in the previous section. It should discuss the extent to which the existing forest policy and laws clarify tenure

and rights issues, eliminate conflicting claims over the forests and/or forest resources, and facilitate good governance in the forestry sector.

3. Proposed steps for developing the strategic options section are:

Building on the prioritized drivers and on the findings of the studies over the course of R-PP implementation,

1. Formulate robust and vetted REDD+ strategic options to address the drivers
2. Undertake a comprehensive feasibility assessment of each strategic option for the following components:
 - Socio-economic, political and institutional,
 - Cost and benefit in relation to peoples' livelihoods and biodiversity
 - Major risks associated with specific REDD+ strategic options, e.g. leakage, SESA identified environmental and social risks
 - Propose ways to manage and mitigate all such risks
3. Review each strategic option to ensure they are fully integrated with the country's overall development policies and strategies
4. Develop an action plan, including the funds required to implement the actions planned
5. Account for major inconsistencies between the objectives of the REDD+ strategy and policies/programs of other sectors (e.g. agriculture and irrigation, water and energy, tourism, roads and other infrastructure)
6. Provide ways to address and work to resolve such inconsistencies with the identified incentives

4. Key elements of Implementation Framework

Implementation Framework:

- Requires an institutional set up comprising all relevant stakeholders at the national, sub-national and local levels which is democratically governed with agreed roles and responsibilities, and manages the implementation of the REDD+ strategy in a transparent manner.
- Requires a law/act and/or regulations for implementing REDD+ programs/projects which define:
 - i. Role of government, resource managers/rights holders, carbon rights holders and other participants in REDD+ transactions, to share and deliver benefits
 - ii. Provides a detailed procedure for participation in programs
 - iii. Clarifies the land tenure and carbon rights
 - iv. Clarifies how the carbon transactions will be managed in a transparent manner
 - v. Clarifies financing modalities and procedures for official approval
 - vi. Puts in place a mechanism for mediating and resolving conflict
 - vii. Ensures that the system overall is transparent and equitable
- Requires that a national geo-referenced tracking system or registry is operational to manage information on the location, ownership, carbon accounting and financial flows for national and sub-national REDD+ programs and projects

- Finally, it also needs to clearly identify gaps remaining in the framework including required legal/regulatory reforms/changes and an estimate of the associated resource needs

5. Some Thoughts for consideration for Working on Benefit Sharing Mechanism for REDD+ in Nepal's case

1. Who should benefit from REDD+?

- 1) Those directly responsible for undertaking actions to reduce D and FD must be rewarded and compensated
- 2) Costs incurred by the government and/or other agencies in establishing, administering and overseeing a system for REDD+ mechanism must also be recovered
- 3) Some revenue retention by the government must be defined and be sufficient enough to cover the costs of management and a small premium to encourage and reward compliance

2. Key Points to consider

- Benefits must be high enough to offset any opportunity costs that the forest users incur to undertake REDD+ actions.
- Benefits should provide clear incentive for active participation in REDD+
- Benefits could be both monetary and non-monetary
- Benefits could vary along the physiographic regions with the variation in the opportunity costs of forest use
- Opportunity costs for different categories of users are likely to vary depending on the nature of use
- This imposes practical limitations on making estimates for each category of REDD+ participants
- Payment structure should also address the social goals in addition to rewarding for emissions reductions
- Benefit sharing mechanism must ensure that all types of user households get a fair share of the benefit, especially women, IPs, forest dependent, marginalized and poor
- Given REDD+ payments are performance based, a link must be established between revenue received and payments made to local forest managers/beneficiaries. It crucial to have:
 - A transparent structure and inclusive governance mechanism
 - It is advisable not to mix this with the government's regular financial system

3. What could Nepal do?

- Agree to the identification, definition and specification of Carbon Rights Holders
- Design and agree on a payment structure for different types of rights holders based on their foregone opportunity costs of forest use due to implementing REDD+ actions
- Make best use of the learning accumulated so far from REDD+ pilot projects (e.g., NORAD funded) and other sectors in Nepal and from other countries

- Work out an appropriate formula for benefit sharing among various stakeholders at the local level;

ANNEX 2: REGIONAL AND NATIONAL CONSULTATIONS

Regional Consultations were held in Pokhara (June 20/2012), Biratnagar (June 25/2012) and Nepalganj (June 28/2012) in coordination with the respective Regional Directors of Forests. Nepalganj consultations also had representatives and participants from the Far-Western Development Region. In each of the regional consultations, the presentation was followed by 4-5 group activities on selected topics. After every regional consultation, relevant outcomes were included in the document and the presentation was refined for subsequent consultation.

In the national consultation, a presentation refined after regional consultation was done followed by group work on four key elements of the national REDD+ strategy. The outcomes of the group work are presented below.

1. Group Work 1 on Forest Land Tenure

- Discuss your thoughts on land tenure, land tenure trends and the associated governance issues
- Document your findings in clearly understandable bullet points or statements

Group Work Outcome

Existing Status of Forest Land Tenure:

Public Forest land → Government, VDC

- Forest in government ownership – government managed forests, protected forests, protected areas (national parks, forests in conservation areas, buffer zones), encroached forest areas
- VDC owned forest lands are in and around villages and in river banks
- Community based forest lands → All forests formally handed over to communities for management and use and being managed by them, e.g. CF, Leasehold forests, religious forests
- Private forest lands: Those lands that hold forest formally registered as private forest or not registered.

Forest land use trend

- Rapid change from forest land use to other land uses due to encroachment or ownership change by the government (roads, schools, high tension lines, irrigation and many more)
- Dual ownership exists over the community and collaborative management forests

Governance issues

- Governance issues are clearly visible in the dual role of government as a prosecutor and a facilitator for the same forest area

- Forests in the Terai are more government controlled as opposed to the forests in the Hills where communities control and regulate the forest for protection, management and use.

2. Group work 2 on Forest and Carbon Rights

- 1) Discuss and document type of rights over forests – both de-jure and de-facto
- 2) Discuss and document key rights related issues in the context of REDD+
- 3) Discuss and agree on which stakeholder and/or beneficiary groups should have carbon rights and why.

Present the group findings on 1, 2, 3 in bulleted points or statements

Group work outcomes

De-jure Forest Rights

- State holds the property rights while communities hold the management rights over forests managed under community and collaborative management modalities.
- So the question remains who owns the carbon benefit and in what proportion.
- In addition, the customary rights over the forests also exist based on customary practices as is relevant in the case of the Chepang and Raute communities

Issues

- There is insecurity of benefits due to inconsistent benefit sharing policies, strategies and mechanisms of the government.
- Yet another issue is the sharing of benefits with distant users/contributors who are not part of forest management system.

Suggestions

- Secure carbon rights of communities by policy frameworks
- Include/recognize customary forest rights in the legal framework

3. Group Work 3 on Institutional Structures

- 1) Consider the proposed 5 national, 2 sub-national and 3 local level institutional structures for REDD+
- 2) In case you agree as a group, provide your justification for agreeing
- 3) In case you don't agree, then a) provide reasons for disagreement and b) discuss and propose institutional structures with your group's justification

Present group findings on 1, 2 and 3 in bulleted points or statements.

Group Work Outcomes

Group proposed following institutions at different levels

At National Level

- 1) Apex Body
- 2) REDD Working Group
- 3) Forest Carbon Trust Fund
- 4) MRV institution in which monitoring is government led, reporting is multi-stakeholder led and verification is third party

- 5) A multi-stakeholder forum to work as a watch dog

At Sub-National Level

- 1) DFCC for information management system
- 2) Community groups for local database management
- 3) REDD secretariat at DFO or Regional Directorate, or direct link with MRV institution and Trust Fund at the national level

At local level

- 1) CBO's forum
- 2) Technical Forum/Group (comprising DFO/DFCC other district line agencies)
- 3) Fund distribution/awareness/conservation

4. Group Work 4 on Benefit Sharing Mechanism

- 1) Which of the stakeholders at which level, the group considers should get benefit from REDD+?
- 2) Which stakeholders should get monetary or non-monetary or both benefits?
- 3) What % of carbon payment should go as benefit to which stakeholder group? Why?
- 4) What could be minimum procedural norms to ensure good governance in BS?

Present the findings of group work in bulleted points or specific statements.

Group Work Outcomes

- 1) *Stakeholders for benefit sharing at different levels should be:*
 - At central/federal government level: Ministry of Forest and Soil Conservation
 - At regional/provincial level: Regional/provincial level government
 - At local and user level: DFO, DDC, VDC and the users/managers of forests
- 2) *Benefit sharing mechanism*
 - Those directly involved, e.g., indigenous peoples and CFUGs, should get direct monetary or non-monetary benefits
 - Rights holders and stakeholders should be properly defined. Rights holders should get 70% of the benefit whereas the stakeholders should get 30%.
- 3) The minimum procedural norm should follow a multi-stakeholder approach that is government led.